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SUBJECT: BAGHDAD: INL PROGRAM MANAGEMENT AND CONTRACTOR PERFORMANCE

¶1. (U) Summary: INL faces significant challenges in its effort to ensure contractor performance in Iraq. Some of the challenges are due to current constraints on the number of program officers and in-country contracting officer representatives (ICOR) in Baghdad, while others appear to be inherent in the design of the current base contract (BC). While Post is fully aware that the contracting function rests in Washington, INL Baghdad would like to provide input based on its experience in the field. To this end, Baghdad would welcome the inclusion by INL procurement officials of performance metrics that equate to real-time financial rewards, or costs, to contractors in the next base contract, and its component task orders (TO). End summary.

Managing Growth and "Normalization"

¶2. (U) Looking ahead to the handover to INL of the 350 member police development mission, and roughly the current level of engagement in the justice sector, INL Embassy Baghdad requires a minimum NEC staff of 21 personnel in CY 2010, growing to 27 by CY 2011. Opportunities to strengthen INL Baghdad staffing levels have arisen due both to the handover and to the ongoing mission-wide effort to "normalize" and right-size Embassy Baghdad. INL/I is coordinating NSDD-38 requests that will seek to increase INL staffing in Iraq in the near-term (septel).

¶3. (U) INL Baghdad positions include the current INL director, deputy director, reporting and coordination officer, management officer, OMS, senior executive police advisor, three Rule of Law project managers, one corrections advisor, one Rule of Law consultant, and one bilingual-bicultural advisor. Also required as soon as possible are four senior police advisors and a new financial management specialist.

¶4. (U) INL Baghdad would benefit from six NEC-based ICORs dedicated to contractor performance and project quality assurance throughout Iraq. Five additional ICORs would be based at Camp Butler in the Victory Base Complex, and in the regions. This proposed staffing level would permit Baghdad ICORs to implement the robust Quality Assurance Surveillance Program (QASP) required to oversee the large, complex and growing INL program in Iraq.

¶5. The balance of the positions in place by January 2011 should include five police mission supervisory staff. There would be another 52 State employees (3161 or PSC) assigned to supervise the 350 person police training project.

Changing Incentives

¶6. (U) Another opportunity to improve our performance, and those of our contractors, rests in the March through July 2010 base contract re-compete for the next five-year period. INL Baghdad recommends that INL procurement officials take advantage of this opportunity by adjusting the incentive structure of the next BC to ensure greater contractor responsiveness to growing customer requirements in Iraq.

¶7. (U) To illustrate, in the current BC the task order for

construction does not contain a liquidated damages clause in which the parties designate in advance of an award the timing and amount of damages an injured party may collect as compensation should specific breaches under the control of the contractor occur. A liquidated damages clause would provide INL a means to better incentivize timely project completion, and "front-load" financial repercussions faced by contractors who fail to meet agreed performance standards.

18. (U) Contractors under the current arrangement generally are paid "as they go" whether or not they meet agreed construction timelines. Q"as they go" whether or not they meet agreed construction timelines. "Equitable adjustment" exists for such cases, but it is a crude measure used to garner damages at contract closeout rather than a mission-focused management tool meant to assure the quality and timeliness of contractor service throughout the life of a project.

19. (U) Another device that Washington may wish to include in the next base contract is the contractor performance rating system Embassy Baghdad uses to encourage, measure and reward acceptable performance by its life support provider. The system is configured to ensure that the contractor achieves three primary objectives: (1) perform mission-ordered priorities; (2) keep projects on schedule; and (3) remain responsive to the customer's changing needs. It gauges contractor performance via monthly rating exercises, with the monthly ratings tabulated at the end of each twelve-month period into a final annual rating upon which the bonuses of contractor managers and employees are based. This model refocuses contractor emphasis from initiating (but not necessarily completing) cost-plus goods and services contracts to having a vested interest in delivering results that satisfy the customer.

Comment

110. (U) Whether or not the specific proposals above appear in the final base contract, or its TOs, Baghdad proposes that the next INL BC contain performance metrics that equate to real-time financial incentives to contractors. Further, INL procurement officials may wish to pilot these measures during the extension of ICAS Task Orders 4760 (CPI) and 4761 (DynCorp International). Doing so would help to ensure that the next base contract period comes into force with a fully-functioning set of performance measures. End comment.

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